

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** April 5, 2011  
**POSITION:** Oppose

**BILL NUMBER:** AB 804  
**AUTHOR:** M. Yamada  
**RELATED BILLS:** SB 727 (2007-08)

### **BILL SUMMARY:** Family Temporary Disability Insurance Expansion

This bill would expand the circumstances under which an employee is entitled to utilize the Paid Family Leave Program to include grandparents, grandchildren, siblings, and parents-in-law beginning July 1, 2012.

### **FISCAL SUMMARY**

The PFL Program is paid for by employee contributions to the Unemployment Compensation Disability Fund. Any increase in benefit payments and administrative costs are borne by the fund. The Director of the Employment Development Department (EDD) has the discretion to adjust the contribution rate charged to employees based on the fund balance and anticipated benefit payments. The fund currently has a reserve equal to about 30 percent of annual expenditures and the contribution rate for 2011 is 1.2 percent. Even with the extension of benefits proposed by this bill, EDD does not anticipate increasing the contribution rate in the near future. However, this bill will ultimately result in a higher contribution rate for employees because more people are eligible for benefits.

It is not known how many additional claims would be filed based on the expansion. However, of the 190,740 PFL claims in 2009-10, only 23,220 (12 percent) were for care while the remainder were for bonding. While EDD does not have any recent comparable data, it is likely that many employees never applied for these benefits because they knew they were ineligible.

It is estimated that this bill could increase care claims by up to 50 percent. A 50 percent increase would result in an additional 13,240 PFL care claims filed in 2012-13 at a cost of \$27.8 million. The associated state operations costs are estimated to be \$601,350 in 2012-13 to support eight positions. Any increase above the 50 percent would have a corresponding increase in costs.

### **COMMENTS**

The Department of Finance is opposed to this bill because it would create additional Unemployment Compensation Disability Fund costs which would ultimately result in higher employee contribution rates.

The Paid Family Leave Program (PFL), a component of State Disability Insurance, began on January 1, 2004. The PFL currently provides employees with wage replacement benefits for 6 weeks of leave within any 12 month period for the purpose of bonding with a new child or to care for a seriously ill child, spouse, parent or domestic partner. The PFL does not ensure job protection for employees taking leave.

Current law requires an employee that qualifies for PFL must take that leave concurrently with the federal Family Medical Leave Act and the California Family Rights Act (CFRA) if the leave also qualifies under these programs. By taking the leave concurrently, the employee receives job protection.

(Continued)

Analyst/Principal (0200) K. Shelton	Date	Program Budget Manager Todd Jerue	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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## AUTHOR

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M. Yamada

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AB 804

**COMMENTS (continued)**

This bill would include the care of a seriously ill grandparent, grandchild, sibling, and parent-in-law in the PFL.

A nearly identical bill, SB 727 (Kuehl) of the 2007-08 Session, was vetoed by Governor Schwarzenegger because the current workplace leave laws are too expansive and fail to recognize the need for reforms to current law. “Employers and employees should be working together to.....create a system to eliminate confusion and create a system of workplace laws that protect workers, provides reasonable leave requirements, and offers both employers and employees flexibility to meet their respective needs.”

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP							Fund
Type		RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
7100/EDD		SO	No		--		--	C	\$601	0588
7100/EDD		LA	No		--		--	C	\$27,800	0588
<u>Fund Code</u>	<u>Title</u>									
0588	Unemployment Compensation Disability Fd									